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C O N F I D E N T I A L SECTION 01 OF 02 GUANGZHOU 000318

SIPDIS

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TAGS: [PGOV](#) [CH](#)

SUBJECT: Corruption Case Shakes Up South China

Classified By: Consul General Robert Goldberg; reasons 1.4(b) and (d).

¶1. (C) Summary and comment: The sacking of Chinese People's Political Consultative Conference (CPPCC) Guangdong Committee Chairman Chen Shaoji over accusations of serious corruption and connections to organized crime has sent shockwaves through south China's political world. The case, which could implicate other officials in Guangdong and elsewhere with connections to the province, has led some observers to speculate that the political shake-up could strengthen the position of Guangdong Party Secretary Wang Yang or even President Hu Jintao. Others have downplayed the political implications. It seems likely that Wang Yang will emerge from the fallout with a stronger hand. End summary and comment.

Guangdong CPPCC Chair Detained

¶2. (SBU) Amid reports that he amassed massive personal wealth from corrupt dealings, Chen Shaoji, chairman of the Guangdong Committee of CPPCC, was detained April 10 and fired from his official positions. Cheng Ming, a Hong Kong magazine, reports that 73 official reports and 1,033 complaint letters regarding the infiltration of organized crime into Guangdong's financial sector, transportation industries and entertainment industry during Chen's 1993 to 2004 term as Director General of the Guangdong Public Security Bureau (PSB). (Note: Consulate contacts have described Cheng Ming Magazine as highly critical of the Chinese Communist Party. End note.) In addition, Chen was reportedly accused of taking 36 confiscated luxury watches and 20 confiscated luxury sedans as Deputy Director General of the Foshan Municipal Public Security Bureau.

¶3. (SBU) The Cheng Ming report indicated that, after searching Chen's four homes in Guangzhou, Shenzhen, Zhuhai and Foshan, investigators found that Chen had accounts in 22 foreign and domestic banks with total deposits of RMB 21.5 million and USD 1.22 million. Only two accounts totaling less than RMB 40,000 were in Chen's real name. In addition, the report said Chen had five passports under different names. Chen and his family also reportedly owned property in Guangdong, Zhejiang, Hong Kong, Macau, Singapore and Australia worth between RMB 800 million and RMB 1 billion.

Other Officials Implicated

¶4. (SBU) Several other recent corruption cases involving current and former Guangdong officials have been linked directly or indirectly to the Chen case. The investigation into Chen's activities was reportedly triggered by the investigation of Zheng Shaodong, a Beijing Ministry of Public Security official who previously served as Chen's deputy at

the Guangdong PSB. Zheng is reportedly under investigation for his links to Huang Guangyu, the billionaire owner of the troubled Gome electronics retail chain. Wang Huayuan, another former PSB associate of Chen who was recently dismissed as Zhejiang Disciplinary Inspection Committee Secretary, is also under investigation. Most recently, Guangdong Provincial Labor and Social Security Bureau Director General Liu Youjun has been removed for "severely violating party discipline." One of our contacts identified Liu as another former Guangdong PSB official.

15. (SBU) In all, more than 20 officials of the rank of director general or vice minister have had to speak to investigators, according to the Cheng Ming report. Guangdong Party Secretary Wang Yang reportedly ordered all Guangdong officials above the rank of director to turn in their passports or other international travel documents. The report also said that the central government instructed border officials to strengthen inspection of officials traveling overseas.

16. (SBU) In addition, two judicial officials were fired last October due to allegations of corruption. Yang Xiancai was dismissed from his position as president of the Guangdong Higher People's Court. Huang Songyou, the vice president of the Supreme People's Court, was also dismissed. Huang was previously an official in the Guangdong Higher People's Court.

17. (SBU) Cheng Ming Magazine also reported that Standing Politburo Member Li Changchun and Vice Premier Zhang Dejiang had made self-criticism statements for their failure to act on

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Chen's corruption while they served as Guangdong Party Secretary. Current Party Secretary Wang Yang also made a self-criticism. Guangdong Governor Huang Huahua -- who is often characterized as a staunch supporter of Guangdong's political status quo -- also was reportedly interviewed by investigators.

Clearing the Way for Wang Yang...

18. (C) Some observers have speculated that the Chen Shaoji case has strengthened Guangdong Party Secretary Wang Yang's position. Chairman Hao Yuanwen of the Guangdong Humanitarian Society, an officially registered non-governmental organization that organizes fora on policy issues, told us that Chen's case would help Wang overcome the opposition of local Guangdong officials that he has faced since arriving in Guangzhou. Feng Shanshu, a journalist with China Reform Magazine, agreed, pointing out that not only did the case weaken subordinates who opposed Wang, but also demonstrated Wang's support in Beijing.

19. (C) Freelance journalist and blogger Hou Meixin (pen name Yu Yiwei), however, sees little benefit to Wang. He believes that Wang most wants stability in Guangdong now so that he can implement his policies. (Comment: In recent months Wang has made a number of statements suggesting he recognizes the limits of moving aggressively forward with his "double transfer" policy. End comment.) Hou said that Wang would now try to calm and even protect officials who remain in office.

And Hu Jintao

110. (C) Some commentators have even speculated that the Chen case will have implications for internal politics in Beijing. Hao said the case would weaken Politburo Standing Committee Member Li Changchun and Vice Premier Zhang Dejiang because of their links to Chen during their time as former Guangdong Party Secretaries. He said that Zhou Yongkang, secretary of the Committee of Political and Legislative Affairs of the national CPPCC, could also be weakened because he is linked to Chen through Zhou's service as Minister of Public Security.

Hou disagreed with the notion that there would be implications for national politics but did suggest that the case would further strengthen central government control over Guangdong, where in the view of national leaders party discipline might have become "too relaxed." Hou compared the case to that of former Shanghai Party Secretary Chen Liangyu, which he also interpreted as an effort by the central government to tighten control over local leaders.

¶11. (C) Comment: Even if the political repercussions are still unclear, our contacts generally agree that political motivations are a key factor in the Chen case. As Feng explained, corruption is so widespread among senior provincial leaders that political considerations are the prime means to identify targets for investigation. Our contacts also agree that Wang Yang enjoys Beijing's support and will probably remain untouched by the Chen case, even as Wang's political opponents suffer. Despite the comments of Hou Meixin, it seems likely that Wang Yang will come out ahead politically when the dust clears.

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